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## Billionaire Patrick Soon-Shiong reaches deal to buy the L.A. Times and San Diego Union-Tribune

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TIMES STAFF WRITERS

For more than a century, one family owned the Los Angeles Times and used the newspaper to build great wealth and exert political influence over how the city would take shape.

But over the years, the Chandler family — descendants of hard-charging Civil War veteran Gen. Harrison Gray Otis, who bought the paper in 1884 — became increasingly fractured and disenchanted with the newspaper business. In 2000, they sold Times Mirror Co. to Chicago-based Tribune Co., thrusting it into a protracted, 18-year battle with its out-of-town owners.

On Wednesday, The Times' corporate parent, Tronc, announced that it had reached a deal to sell The Times, the San Diego Union-Tribune, Spanish-language Hoy Los Angeles and community newspapers to L.A. biotech billionaire Dr. Patrick Soon-Shiong. His investment firm, Nant Capital, agreed to pay \$500 million for the Southern California papers and it will assume \$90 million in pension liabilities.

The sale will bring a return to local ownership and possibly some stability for a 136-year-old institution that, in recent years, has lagged

behind its better-resourced rivals on the East Coast. It caps a particularly stormy period for the newspaper, which has seen three editors in six months, its publisher placed on unpaid leave amid a sexual harassment investigation and a historic vote to unionize the newsroom.

"It is often said that Southern California is the place where the world comes to see its future. It has welcomed generations of immigrants who worked hard, started new businesses and helped others do the same," Soon-Shiong said in a note to The Times and other publications. "My own family immigrated from southern China to South Africa generations ago. We chose to settle in Los Angeles because this is the place that most felt like home.

"Ultimately, this decision is deeply personal for me. As someone who grew up in apartheid South Africa, I understand the role that journalism needs to play in a free society," Soon-Shiong said.

In Los Angeles, news of the change of ownership was greeted with guarded optimism.

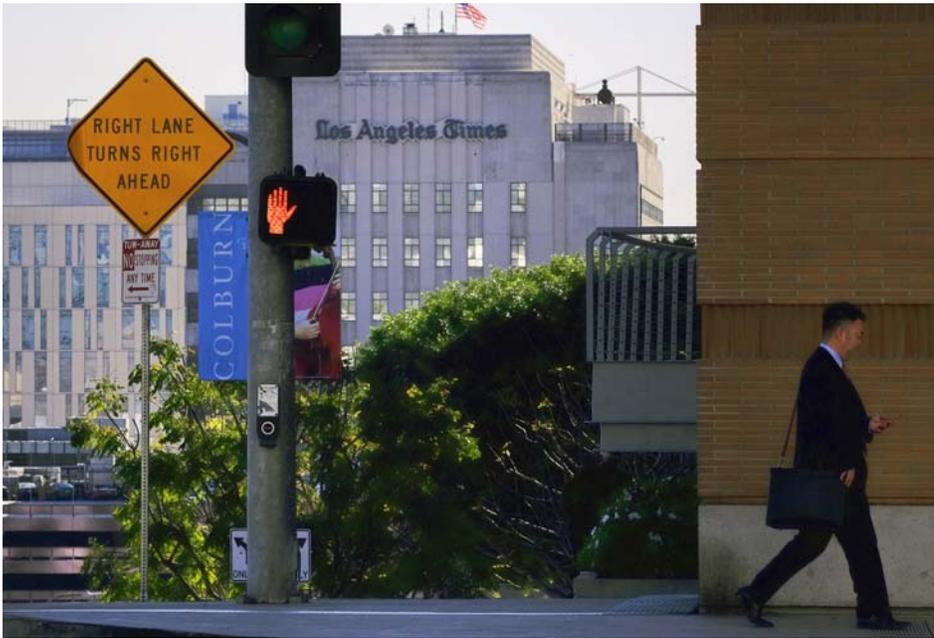
"Our readers expect and deserve the high-quality, independent journalism that has defined The Times



BILLIONAIRE Dr. Patrick Soon-Shiong will also acquire the San Diego Union-Tribune. (Evan Vucci Associated Press)

for decades," said the newsroom guild's organizing committee. "The L.A. Times Guild looks forward to working with a local owner who can help us preserve The Times as a guardian of our community and as the voice of the American West."

Soon-Shiong, 65, was not the first Los Angeles billionaire to express interest in buying The Times. Twelve years ago, music mogul David Geffen offered Tribune \$2 bil-



THE L.A.. TIMES has seen three editors in six months, its publisher placed on unpaid leave and a historic union vote while under Tronc ownership. (Richard Vogel Associated Press)

lion for The Times, but the Chicago-based company refused to let go. Philanthropist Eli Broad occasionally voiced a desire to buy The Times, but in the end, it was Soon-Shiong who came up with the cash.

Soon-Shiong took a different tack than the other suitors by investing in Tronc in spring 2016, which positioned him as the company's second-largest shareholder. Soon-Shiong attempted to buy The Times several times, but he was consistently rebuffed. But, despite friction with Tronc Chairman Michael Ferro, Soon-Shiong waited for his opportunity.

"Game, set, match — Patrick played it beautifully," Los Angeles investment banker Lloyd Greif said. "And it happened faster than I'm sure he imagined it would. He got it done in less than two years. As a biotech entrepreneur, he's used to playing the long game."

The sale to Soon-Shiong came together quickly, over the last few days, and startled many observers. Tronc had fended off previous ef-

forts to buy the company outright or peel off the California newspapers. It had insisted that The Times was key to its strategy to build a global entertainment brand — given its proximity to Hollywood, technology hubs and the Pacific Rim.

But, amid the ongoing drama at The Times — including rapidly escalating hostilities between the newsroom staff and its short-lived editor in chief, Lewis D'Vorkin, and a barrage of negative publicity — Ferro began to reassess his company's strategy for The Times.

He came up with a number — \$500 million — and decided that if he could fetch that price for The Times and the Union-Tribune, then it was the right time to sell.

It's unclear whether he or Soon-Shiong made the first overture this time around, but talks began less than a week ago and reached a fever pitch over the weekend. That's when the contours of a deal came together.

"This was a fairly efficient process," said Dennis Culloton, spokesman for Ferro. He noted that Ferro's

change of heart about The Times came after the Chicago investor stepped back and assessed "the big picture."

"Michael's career leading public companies has been marked by one thing — increasing value for shareholders," Culloton said. "And when there was an opportunity to get this kind of a price, he determined that it was a great opportunity to bring enormous value to shareholders and the company."

Tronc's stock price leaped after the deal was announced, closing up 19% at \$21.55.

By agreeing to the \$500-million price tag, Soon-Shiong is paying a premium for the struggling media properties. With plummeting print advertising revenue, traditional publications have fallen out of favor on Wall Street. For example, Tronc's print revenue plummeted 17% in the first nine months of 2017.

But major newspapers have found several billionaire benefactors willing to throw them a lifeline. Amazon founder Jeff Bezos bought the Washington Post in 2013. That same year, Red Sox owner John Henry scooped up the Boston Globe and, in 2014, Minnesota billionaire and Timberwolves owner Glen Taylor bought the Minneapolis Star-Tribune.

As a local who already owns a minority stake in the Lakers, Soon-Shiong probably will face high expectations — both from the newsroom and the Southern California community, which has witnessed a spate of recent layoffs and cutbacks at other local publications, including LA Weekly and the chain of local dailies owned by Digital First Media.

Russell Goldsmith, chief executive of downtown L.A.'s City National Bank and chairman of the Los

Angeles Coalition for the Economy and Jobs, said he hopes Soon-Shiong's purchase of The Times will be followed by additional investment in the newspaper.

"The Times has been struggling through a downward spiral of resources and staff, as well as excessive turmoil," Goldsmith said. "Patrick has the opportunity to both bring stability and continuity, and a commitment to the long-term well-being of the community. Greater resources, greater coverage and increased staff will result in coverage that will attract more readers."

Broad also sounded a hopeful note.

"The Los Angeles Times is a crucial institution for our city, and its journalism an essential voice for our democracy," Broad said in a statement. "We expect Dr. Soon-Shiong will support the Times' hardworking staff as they provide in-depth, unbiased coverage of this globally significant region of 15 million people, as well as the national and international stories that matter most to its readers."

Over the years, The Times' staff has endured multiple cuts that have reduced the newsroom to about 400 from its high of 1,200 in the late 1990s. Still, it remains one of the largest metropolitan news staffs in the country — and continues to break major stories and capture coveted journalism awards.

Now Tronc will have a pile of cash as it retools its strategy — without its biggest source of content.

"We will have a versatile balance sheet that will enable us to be even more aggressive in executing on our growth strategy as a leading player in news and digital media," Justin

Dearborn, chief executive of Tronc, said in a statement.

The company said it will form a new division called Tribune Interactive, which will be led by former Los Angeles Times Publisher Ross Levinsohn. Levinsohn, who had been placed on unpaid leave Jan. 19 amid revelations that he was a defendant in two sexual harassment lawsuits, resigned from his position at The Times on Wednesday.

It is also expected to use the \$500 million in proceeds to pay down debt, make acquisitions and further its digital strategy across the remaining papers, which include the Chicago Tribune, Orlando Sentinel, South Florida Sun-Sentinel, Baltimore Sun and the New York Daily News.

Dearborn said Chris Argentieri will resume his role as general manager of the California News Group and work with Soon-Shiong during the transition. Other key executives also will continue in their current roles: Jim Kirk as editor in chief of The Times and Jeff Light as publisher and editor of the San Diego newspaper.

Though the purchase would mean a change of ownership for The Times and Union-Tribune, the papers still will be collaborating with Tronc under a 12-month agreement to share corporate services such as payroll and human resources.

Media analyst Ken Doctor speculated that Tronc, as it seeks to build its own national online news network, may want to syndicate Times content, including its entertainment and celebrity coverage.

"Ferro wanted to commercialize Los Angeles Times content, and I'd be surprised if he didn't keep the ability to do that in the contract," Doctor said. "They can get a steady

stream of content without owning the asset."

The purchase agreement filed Wednesday with the Securities and Exchange Commission indicates Soon-Shiong is purchasing the papers for cash and that the transaction does not involve his holdings of Tronc stock. That suggests Soon-Shiong will retain his ownership stake in Tronc and would have an interest in both Tronc and The Times.

The San Diego paper has experienced its own upheaval and ownership changes. The Union-Tribune, which is celebrating its 150th anniversary this year, was owned by the Copley family until it was sold to Platinum Equity, a Los Angeles investment firm, in 2009 for an undisclosed sum that was estimated at \$50 million or more.

The Union-Tribune, which was purchased by Tribune Publishing in 2015, employs about 260 people, down from nearly 2,000 under the Copleys. Most of the downsizing has come from outsourcing of printing, packaging and distribution, but the news and advertising departments have experienced layoffs as well.

"I want to assure you — everyone from the press room to the newsroom — that I will work to ensure that you have the tools and resources to produce the high-quality journalism that our readers need and rely upon," Soon-Shiong said in his note to employees of The Times, Union-Tribune and other publications.